"EVALUATION OF CUSTOMER SERVICE OF PUBLIC AND PRIVATE SECTOR BANKS - IN INDIA – A COMPARATIVE STUDY OF STATE BANK OF INDIA AND HDFC BANK IN NASHIK CITY OF MAHARASHTRA"

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I. Introduction:

India's banking sector is sufficiently capitalized and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well. Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks.

In India, banks are playing a crucial role in socio-economic progress of the country after independence. The banking sector is dominant in India as it accounts for more than half the assets of the financial sector. It is very important for economic development of a country that its financing requirements of trade, industry and agriculture are met with higher degree of commitment and responsibility. Consequently, the development of a country is integrally linked with the development of banking.

The Indian banking sector has emerged as one of the strongest drivers of India's economic growth. The Indian banking industry has made outstanding advancement in last few years, even during the times when the rest of the world was struggling with financial meltdown. India's economic development and financial sector liberalization have led to transformation of the Indian banking sector over the past two decades.

The progress of industrialization during the last five decades has been a significant feature of the Indian economic development. The process of industrialization, initiated as conscious and deliberate policy under industrial policy Resolutions of 1984 and 1956 involved heavy investments in basic and heavy industries. As a result of the efforts for rapid industrialization, a firm industrial base has been achieved and India has now become the tenth most industrialized nation in the world.

India now has well diversified industrial sector covering the entire range of consumer, intermediate and capital goods industries. The rapid progress in industrialization has been accompanied by a corresponding growth in technological and

managerial know-how for efficient operation of the most modern and sophisticated industries and also for planning, designing and construction of such industries. The share of industry in the National income has been increasing steadily, as also the number of people engaged in industrial activities. The industrial base developed over the years is providing a platform for the launch and development of service industries in the country, which of late has been in the forefront in driving the economic development in the country by creating more and more employment opportunities and generating revenues, particularly by way of exports.

The dominance of services sector is growing over the years. Banking is the service-oriented industries, which have been contributing significantly to the national exchequer in the last few years.

II. Significance of the study:

This study examines customer service in the banking industry. Indeed, an efficient customer service holds the key to overcoming the stiff competition in the banking industry. In the new customer-centric economy built by global markets, high need is felt by organizations to grow through by implementing customer and building one-to-one relationship. In order to combat the fierce competitive market forces prevailing in the market, both the public and private sector units are engaged in understanding the customer, measuring customer satisfaction and maintaining relationship with the customers. For this purpose, they are implementing the customer service evaluation in the organizations. The proposed research project aims to study and understand these practices and compare the best practices followed by companies of different sectors.

Since the past decade, extensive research has been taken up in the customer service domain but no substantial research has been carried out regarding the customer service evaluation in the public sector and private sector. There are very less studies, comparing customer service evaluation in public and private sector domains. Such a study will be beneficial for the banking sector.

III. Statement of the problem:

The banking sector continues to attract, retain and maintain qualified personnel to fill their most sensitive positions to have customer confidence, credibility, and trustworthiness and be more attractive to customers. If these claims are to hold, then it is worth investigating the importance of customer service in the banking sector.

IV. Objective of the study:

The following are the objectives of the study:

1. To study the awareness on various banking products and services.
2. To know the various aspects of services provided by the select banks.
3. To evaluate the banking services in the select banks.
4. To compare the service quality of banks in the both public and private sector banks.

V. Hypothesis of the study:

1. H_0: There is no significant difference among the public and private sector banks on the service quality factors.
2. H_0: There is no significant difference of service quality among the public sector banks.
3. H_0: There is no significant difference of service quality among the private sector banks.

VI. Scope of the study:

The study encompasses customer service quality of two types of banks namely public and private banks of Nashik city in Maharashtra. The study covers the two types of bank customers. The customers belong to various professions, various places, of both genders, with varied income groups and age groups. The study has been covered the latest sources such as net banking, mobile wallet and so on.

VI. Limitations of the study:

The limitations of the studies are:

1. The study banks selected from the twin cities that is Nashik city of Maharashtra State.
2. The collected data is based upon the questionnaire and personnel interview, hence responses may vary.
3. The study has limited to select public and private sector banks only.
4. Time and other resource constraints restricted the selection of respondents and cities.
5. Financial constraints also made me to restrict the study to twin cities, hence it vary with universe.

VII. Review of literature:

The banking sector is mostly customer driven and its survival in competitive environment largely depends on quality of the service rendered to the customers. It has been emerged as the largest and one of the fastest-growing sectors of the economy during post liberalization period. The banking industry is the driving force behind the dynamic growth of the services sector throughout the world and also in India. Customer service has become the most important ingredients of the marketing mix for products and services. Customer service has become the mantra of the player in the industry to gain competitive advantage in the highly competitive field.

Keeping the objectives of the study in mind, an attempt has been made to review the existing available literature on service quality in banking sector. The review of literature includes the studies conducted during 1980 to 2015 and covers the dimensions of the development of banking sector, development and growth of services sector and customer service in India.

Samsunisa. A (2015) found that different age group of customers have different perception towards the e-banking services and the usage level of these banks is different across different age group of customers. He concluded that banks are advised to concentrate on all the age group of customers for betterment of e-banking. It has also seen that different occupation group of customers have different perception towards the e-banking services.

Amit P. et al., (2014) their study reveals the fact that consumers are aware about mobile banking service provided by their bank. Consumers are familiar about various banking transactions that can be done with the help of mobile banking. Consumers think that mobile banking is easy to use. According to them major advantage of mobile banking is "Any where any time banking" and is flexible.

M. E. Doddaraju (2013) found that satisfaction level with regard to public sector unit's courtesy shown by bank staff at the counter is very low. Therefore, the banks are advised to pay special attention to "Human Resource Development" by giving timely training to the employees to conduct themselves better.

Klaus, S. Maklan (2012) the study revealed that SERVQUAL being the most popular tool to measure service quality and critics suggest that it does not capture all aspects of services and lacks insights into all aspects of relationship building and customer experience. Despite to create fairer relationships, marketers should measure fairness of the functional aspects of services such as fairness in the processes, fairness of the technical aspects including technological developments, the fairness of outcomes as well as emotional aspects of the services.

Sufyan Habib (2012) in his study examined the consumer awareness, use patterns, satisfaction and preferences for internet banking vis-à-vis conventional form of banking and also highlights the factors that may affect the banks strategy to adopt Internet banking. Internet banking has attracted the attention of banks, securities trading firms, brokerage house, insurance companies, regulators. It also addresses the internet banking

on cost savings, revenue growth and increased customer satisfaction on Industry is tremendous and can be potential tool for building a sound strategy, regulatory and supervisory concerns of internet banking.

An et all. (2011), Nguyen nd Leccr (2011), Aarib abd /rivub (2010), Kam and Abdullah (2010), Kumar etal (2010), Mensah (2010), Srikanthg V (2010), Khan et all (2009) Casalo et al (2008), and Gupta (2008) have also contributed on the topic Customer Service .

VIII. Conceptual Frame Work:

Modern commercial banking, in its present form, is of recent origin. Though bank is considered to be an ancient institution just like money. Its evolution can be traced in the functions of money lender, the goldsmiths and the merchants. A bank has been often described as an institution engaged in accepting of deposits and granting loans. It can also be described as an institution which borrows idle resources, makes funds available to. It does not refer only to a place of tending and depositing money, but looks after the financial problems of its consumers.

Today Indian Banking is at the crossroads of an invisible revolution. The sector has undergone significant developments and investments in the recent past. Most of banks provide various services such as Mobile banking, SMS Banking, Net banking and ATMs to their clients.

1. Meaning of banking:

People earn money to meet their day to day expenses on food, clothing, education of children, having etc. They also need money to meet future expenses on marriage, higher education of children, housing, building and social functions. These are heavy expenses, which can be met if some money is saved out of the present income. With this practice, savings were available for use whenever needed, but it also involved the risk of loss by theft, robbery and other accidents.

2. Definitions of bank:

Indian Banking Companies Act – "Banking Company is one which transacts the business of banking which means the accepting for the purpose of lending or investment of deposits money from the public repayable on demand or otherwise and withdraw able by cheque, draft order or otherwise".

Dictionary meaning of the Word Bank - The oxford dictionary defines a bank as "an establishment for custody of money received from or on behalf of its customers. It's essential duty is to pay their draft on it. Their profit arises from the use of the money left employed by them".

The Webster's Dictionary Defines a bank as "an institution which trades in money, establishment for the deposit, custody and issue of money, as also for making loans and discounts and facilitating the transmission of remittances from one place to another".

According to Prof. Kinley. "A bank is an establishment which makes to individuals such advances of money as may be required and safely made, and to which individuals entrust money when it required by them for use.

3. Types of banking services :

Banking is described as the business carried on by an individual at a bank. Today, several forms of banks exist, giving consumers a choice in the way they manage their money most people do a combination of at least two banking types.

These are different types of banking through which consumer can attach to it –

a. Walk-in-banking services

It is still a popular type of banking. As in the past, it still involves bank tellers and specialized bank officers. Consumers must walk into a bank to use this service normally, in order to withdraw money or deposit. A person must fill out a slip of

paper with the account and specific monetary amount and show a form of identification to a bank letter.

b. Drive Through Banking

It is probably the least popular form of banking today, but is still used enough by consumers to create a need for it. It allows consumers to stay in their banks while drive up to a machines equipped with container, chute and intercom. This machine is connected to a bank and is run by one or two bank letters. A person can withdraw or deposit money at a drive through he must fill out a slip with his account and specific monetary amount and put it in the container.

c. ATM Banking

It is very popular because it gives a person 24 hour access to his bank account. Walk in and drive through banking does not offer this perk. In order to use an ATM, a person must have an ATM card with personal identification number (PIN) and access to an ATM machine.

d. Online Banking

It allows a person to get on the internet and sign into their bank. By going website of a bank and entering it, a consumer can get into his account, withdraw money, deposit money, pay bills, request loans and invest money. Online banking is growing in opportunity because of its convenience. These different types of banking give a consumer the power of choice and also give them a comfortable banking system that gives them a convenient choice.

IX. Research Methodology:

As service quality reflects the way the banks are performing, this study attempts to explore the perception of customers in respect to the service provided by the banks. The entry of private and foreign banks, the nature of functioning of these banks and the promotional attempts of these banks has changed the landscape of services there are

notable perceived differences. Hence this study on customer service quality of Indian banks looks for bringing out the differences between perceptions of customers of these banks. This study is descriptive and analytical in nature.

X. Sources of Data:

The study relies on both primary as well as secondary data. The source of the secondary data is drawn from Reserve Bank of India Publications and the sites of the banks to which respondents are customers.

a. Primary Data

Primary data were collected through the account holders of the study banks. A questionnaire approach was considered to be the most effective method for collecting primary data for fulfilling the purpose of customer service evaluation in the Indian banking sector a comparative study of select banks. All the questions in the questionnaire will be in the English language and also were interpreted in the local languages (Marathi & Hindi) for some respondents when it was deemed necessary to seek fair and unbiased responses.

The questionnaire has been administered through close-ended questions. The various questions included in the questionnaire will intended to study the how service quality factors such as reliability assurance, tangibility, empathy, responsiveness, functional services, accessibility online banking services, security features, customer satisfaction, customer loyalty, banks brand image are performed and maintained by the banks and towards on services perception and experience of the customers.

2. Sample design

The population consists of all the customers of the study service organizations, which are operating in the state of Maharashtra. Study organizations have been selected from banking industry from both the public sector bank and private sector bank. For the

purpose of sampling, the respondents (customers of the study service organizations) have been selected using non-probability sampling technique of simple random.

3. Sampling method

For the purpose of this study probability sampling technique of simple random sampling technique has been used for collecting the data from the account holders of the select banks from the Public and Private sector bank banks in the Nashik City of Maharashtra state,

The study area of research is limited to Nashik city in the Maharashtra State, two banks one from public and one from private has been selected for the study.

The total sample size is 400. The sample comprises of 200 account holders from public sector bank and private sector banks. The break-up of branches selected among the Nashik city are presented in the following table No- 1.

Sr. No.	PublicSector Banks	Sample size	Private sector banks	Sample size	Total
01	State Bank of India	200	HDFC Bank	200	400

XI. Methods of data collection :

The primary data was collected by conducting semi-structured interviews with the customers of the study companies. A well-structured questionnaire is to be designed consisting of a total 40 questions. Appropriate changes were to suit the requirements of banking sector customers.

The non comparative scaling technique that is five point Like Scale will also be used for the questions.

Customers will be asked to relate the items in the itemized rating questions on the basis of the importance attached to the items mentioned in the respective questions. The data collected with the help of both the closed and the open ended questions of the questionnaire and also from the discussions with the respondents on various aspects was

useful for generating both quantitative and qualitative inferences during the analysis and interpretation

XII. Methods of data analysis:

The data collected through the questionnaire from study banks of the respondents, were coded and analyzed for interpretation in the following manner. The banks were classified into public sector bank and private sector banks. The coding was done in the following manner for the type of the study banks.

Public sector banks = 1 and Private sector banks = 2

The question with the non – comparative rating scale, that is Five Point Likert scale, has been coded in the following manner –

- Strongly disagree = 1
- Disagree = 2
- Neither agree nor disagree = 3
- Agree = 4
- Strongly agree = 5

After the coding is completed, the analysis of the data is done in the following manner. In the **first step**, the frequencies of the responses of each item, under different coding categories and the percentages will be computed. In the **second step**, the mean, standard deviation and variance for the frequencies of each item will be computed, in **third step**, cross-tabulation will be done between each item and type of bank and to find out the relationship between them.

In the **fourth step**, Chi-Square analysis will be done to study the relationship between a particular item and the type of bank and appropriate interpretation is inferred from the chi-square test results Chi-Square analysis is the technique that is typically used in understanding whether the observed (sample) frequencies are consistent within those expected under application of the model.

XIII. Profile of the Banking Industry:

Banking in the modern sense started in India in the first half of the 19th century. Three presidency banks were started for carrying on Government Banking business and also for issuing currency notes. But after 1876, the Government served its links with the presidency Banks. In 1921, the three Presidency Banks were merged to form the imperial bank of India

The Banking Industry during the pre-independence period confined its services to the urban areas only. The semi-urban and the rural areas were more or less ignored After Independence the Government of India took measures to ser right this anomaly The various measures taken by the Government since 1947 resulted in major changes in the banking sector. The major changes in the financial sector initiated by the Government, which had profound impact on the banking sector are a) the nationalization of Reserve Bank of India in 1949, b) the Establishment of State Bank of India in 1956, c) The Establishment of Development Financial Institutions since the fifties, d) the Establishment of Co-Operative Banks, e) The establishment of Regional Rural Banks since 1975 and NABARD in 1982, f) The nationalization of major commercial Banks in 1969 and 1980, and g) The liberalization of the Indian economy in 1991

These actions of the Government of India were necessiated because of the objectives of rapid industrialization of the country, rural development and the overall economic development of the country, as also the changing environmental conditions. The phase, which has particular relevance to the Banking sector today is the liberalization of the Indian economy in 1991. The impacted other sectors of the Indian economy. The liberalization has bright with it certain trends which have long term implications for the banking industry. The recent trends in the Indian banking sector in the wake of the liberalization of the economy are a) Re-emergence of private commercial banks, b) the entry of foreign commercial banks, c) Increased usage of plastic currency, d) Introduction

of ATM and AWM concepts. E) Introduction of online banking f) Increase in competition g) Mergers of commercial banks, h) Reduction o CRR and SLR i) Increase in Credit Creation j) Adoption of Universal Banking.

1. Public Sector Banks:

Public sector banks (PSBs) are banks where a majority stake (i.e. more than 50%) is held by a government. Total public sector banks 27 including IDBI and BMB in India (2) nationalized banks + 6 State bank group (SBI + 5 associates). The banking sector held by the public sector banks continued to grow through the 1980s and by 1991 the public sector banks accounted for 90% of the banking sector.

2. Private Sector Banks:

The private-sector banks in India represent part of the Indian Banking sector that is made up of both private and public sector banks. The "Private sector banks" are banks where greater parts of state or equity are held by the private shareholders. However since liberalization in government banking policy in the 1990s old and new private sector banks have re-emerged. They have grown faster & bigger over the two decades by using the latest technology providing contemporary innovations and monetary tools and techniques.

The private sector banks are split into two groups by financial regulators in India, old and new. The new private sector banks are those that have gained their banking license in the 1990s. The private sector banks, which came in operation after 1991, with the introduction of economic reforms and financial sector reforms and the banking regulation act was then amended in 1993, which permitted the entry of new private-sector banks in the Indian banking sector.

The leading private sector banks in India are 1. ICICI Bank, 2. HDFC Bank 3. Axis bank, 4. KarurVysya Bank, and 5. ING Vysya bank of which HDFC bank is selected.

13. Scheme of the Chapterisation.

The study consists of six chapters and presented in the following manner -

Chapter 1. Will describes introduction to the study, significance, objective of the study, hypothesis, scope of the study and limitations of the study.

Chapter 2. Will be devoted to reviews earlier research works on the topic both in India and abroad and also presents the highlights of the conceptual framework.

Chapter 3. Will provides the research methodology, sources of data and methods of data collection of the study.

Chapter 4. Briefs the profile of the selected public and private banks in the banking sector.

Chapter 5. Measure the customer service efficiency of banks through data analysis and also the data were explained in the table and graphs.

Chapter 6. Will provides summary, findings, conclusion and suggestions that emerge from the study to improve the customer service of public and private sector banks in India.

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Research Guide

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